



# **DRAFT ANNUAL BUDGET OF //KHARA HAIS MUNICIPALITY**

**2013/14 TO 2015/16  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

**Adopted by Council on  
5 April 2013**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	City Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-Term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GDS	Gauteng Growth and Development Strategy	PPE	Property Plant and Equipment
GFS	Government Financial Statistics	PPP	Public Private Partnership
GRAP	General Recognised Accounting Practice	PTIS	Public Transport Infrastructure System
HR	Human Resources	RG	Restructuring Grant
HSRC	Human Science Research Council	RSC	Regional Services Council
IDP	Integrated Development Strategy	SALGA	South African Local Government Association
IT	Information Technology	SAPS	South African Police Service
kℓ	kilolitre	SDBIP	Service Delivery Budget Implementation Plan
km	kilometre	SMME	Small Micro and Medium Enterprises
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		

## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

In his Budget Speech to Parliament on 17 February 2010, the Minister of Finance said: *"We cannot expect to do the same old things and expect different results"*. In the past three years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. //Khara Hais Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things the depletion of cash-backed reserves; historic expenditure patterns and a general lack of "doing business smarter".

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the //Khara Hais Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities, available financial resources and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

We, as leaders, have the power to take decisions and had to take hard decisions on how we will use available resources. We cannot please everyone and everyone will not necessarily agree with these decisions. Bill Cosby once said: *"I don't know the key to success, but the key to failure is trying to please everybody."*

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

We as councillors and senior management together with the inputs and comments of the local community has developed an IDP and a credible and sustainable budget with realistically anticipated revenue sources to improve the quality of our people's life.

Unfortunately our needs are far greater than our available resources and therefore not nearly enough of the developmental needs identified in our developed IDP could be met with the available financial resources. It is however a worldwide problem that identified needs by far exceeds available financial resources and therefore we had to prioritise our needs and implement those projects and programmes that have the biggest affect in improving our people's quality of life.

Based on the comments and inputs received on the draft IDP and draft budget and proposed tariffs, it is recommended that Council adopt the following budget resolutions.

## **1.2 Council Resolutions**

On 5 April 2013 the Council of //Khara Hais Municipality met in the Council Chambers of //Khara Hais Municipality to consider the draft annual budget of the municipality for the financial year 2013/2014. The Council approved and adopted the following resolutions:

1. The Council of //Khara Hais Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The draft annual budget of the municipality for the financial year 2013/2014 and the multi-year and single-year operating and capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 16 on page 29;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 17 on page 30;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 on page 31; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 on page 34.
  - 1.2. The financial position, cash flow budget, cash-backed reserve / accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 20 on page 35;
    - 1.2.2. Budgeted Cash Flows as contained in Table 21 on page 37;

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 on page 38;
  - 1.2.4. Asset management as contained in Table 23 on page 40; and
  - 1.2.5. Basic service delivery measurement as contained in Table 24 on page 42.
2. The Council of //Khara Hais Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:
  - 2.1. The tariffs for property rates – as set out in Annexure A (Draft Tariff List);
  - 2.2. The tariffs for electricity – as set out in Annexure A (Draft Tariff List);
  - 2.3. The tariffs for the supply of water – as set out in Annexure A (Draft Tariff List);
  - 2.4. The tariffs for sanitation services – as set out in Annexure A (Draft Tariff List); and
  - 2.5. The tariffs for solid waste services – as set out in Annexure A (Draft Tariff List).
3. The Council of //Khara Hais Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for all other services, as set out in Annexure A (Draft Tariff List).
4. To give proper effect to the municipality's draft annual budget, the Council of //Khara Hais Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2013/2014 financial year limited to an

amount of R 26.3 million; R 22.7 million and R 19.9 million per financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.

- 4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This has resulted in savings to the municipality. Key areas where savings were realised were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The municipality has embarked on implementing a range of revenue collection strategies to optimise the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58, 59 and 67 were used to guide the compilation of the 2013/2014 MTREF.

The main challenges experienced during the compilation of the 2013/2014 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging water, sewerage, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash-backed reserves of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from DWA and Eskom), which is placing upward pressure on service tariffs to residents. Continuous



high tariff increases are not sustainable - as there will be point where services will no longer be affordable;

- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/2014 MTREF process; and
- Availability of affordable capital / borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/2014 MTREF:

- The 2012/2013 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/2014 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI; except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the wage negotiations as well as cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Expenditure on certain items were limited and for the following items and allocations to these items it had to be supported by a list and / or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling; and
  - Subsistence, Travelling & Conference fees (national & international).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/2014 Medium-term Revenue and Expenditure Framework:

**Table 1: Consolidated Overview of the 2013/2014 MTREF**

R thousands	2012/2013 Adjusted	Budget Year 2013/14	2013/14 % Increase	Budget Year +1 2014/15	2014/15 % Increase	Budget Year +2 2015/16	2015/16 % Increase
Total Operating Revenue	427 763	457 615	7.0%	489 895	7%	524 183	7.0%
Total Operating Expenditure	550 398	576 453	4.7%	610 292	6%	647 218	6.1%
Surplus/(Deficit)	(122 635)	-118 838	-3.1%	(120 397)	1%	(123 035)	2.2%
Total Capital Expenditure	60 775	28 471	-53.2%	23 633	-17%	28 114	19.0%

Total operating revenue has grown by 7.0% or R 29.9 million for the 2013/2014 financial year when compared to the 2012/2013 Adjustments Budget. For the two outer years, operational revenue will increase by 7.0% respectively; equating to a total revenue growth of R 96.4 million over the MTREF when compared to the 2012/2013 financial year.

Total operating expenditure for the 2013/2014 financial year has been appropriated at R 576.5 million and translates into a budgeted deficit of R 118.8 million. When compared to the 2012/2013 Adjustments Budget; operating expenditure has grown by 4.7% in the 2013/2014 budget and by 6.0% and 6.1% for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R 120.4 million and R 123.0 million. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. This additional off-setting depreciation is not included in the budget for tariff calculation purposes. However, the municipality can expect to generate an operating deficit when the 2013/2014 annual financial statements are compiled compliant with the Accounting Standards since this off-setting depreciation is reflected in the Statement of Financial Performance and not directly to the Statement of Changes in Net Assets. If the non-cash items are being deducted from the operational deficit an cash surplus of R 2.5 million for the 2013/2014 budget and R 8.2 million and R 13.3 million for the respective outer years of the MTREF will be generated.

The capital budget of R 65.8 million for 2013/2014 is 54.5% less when compared to the 2012/2013 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme further decreases to R 58.3 million in the 2014/2015 financial year and then evens out in 2015/2016 to R 45.3 million. A substantial portion of the capital budget will be funded from borrowing over MTREF with anticipated borrowings of R 26.3 million; R 22.7 million and R 19.9 million in each of the financial years of the MTREF.

Borrowing will contribute 39.9%, 38.9% and 44.0% of capital expenditure in each of the MTREF years; and, government grants and transfers will contribute 56.3%, 50.8% and 42.7% of capital expenditure in each of the MTREF years. The balance will be funded from internally generated funds. Note that the municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has substantially increased over the past four years as a result of the aggressive capital infrastructure programme implemented over the past four years. Consequently, the capital budget remains relatively flat over the medium-term.

## **1.4 Operating Revenue Framework**

For //Khara Hais Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 99 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing / calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of "free" basic services; and
- Tariff policies of the municipality.

The following Table 2 is a summary of the 2013/2014 MTREF (classified by main revenue source). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus / (deficit).

**Table 2 Summary of revenue classified by main revenue source**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>									
Property rates	34 970	38 104	41 242	48 654	48 769	48 769	54 700	58 533	62 635
Property rates - penalties & collection charges	–	–							
Service charges - electricity revenue	108 081	143 213	171 615	194 082	196 419	196 419	212 283	229 254	247 581
Service charges - water revenue	34 312	35 861	37 086	43 412	43 442	43 442	46 482	49 736	53 218
Service charges - sanitation revenue	19 044	20 356	23 065	24 842	25 171	25 171	26 933	28 818	29 020
Service charges - refuse revenue	12 552	14 390	16 948	22 659	22 660	22 660	24 246	25 943	27 759
Service charges - other	–	–							
Rental of facilities and equipment	5 754	4 404	6 371	6 192	6 519	6 519	7 018	7 512	8 045
Interest earned - external investments	2 428	856	1 023	1 512	1 235	1 235	1 005	1 065	1 129
Interest earned - outstanding debtors	1 791	2 123	2 344	2 902	1 597	1 597	1 682	1 783	1 890
Dividends received	–	–							
Fines	1 001	1 386	1 521	1 611	1 938	1 938	2 055	2 178	2 309
Licences and permits	1 232	1 554	1 732	1 669	1 565	1 565	1 658	1 758	1 863
Agency services	2 830	3 075	3 245	3 415	3 280	3 280	3 477	3 685	3 907
Transfers recognised - operational	70 322	48 786	56 218	66 551	70 461	70 461	66 000	68 948	73 506
Other revenue	2 980	3 263	3 293	2 751	4 108	4 108	3 077	3 261	3 457
Gains on disposal of PPE	71	48			600	600	7 000	7 420	7 865
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>297 367</b>	<b>317 419</b>	<b>365 704</b>	<b>420 253</b>	<b>427 763</b>	<b>427 763</b>	<b>457 615</b>	<b>489 895</b>	<b>524 183</b>

The following Table 3 shows the percentage growth in revenue by main revenue source.

**Table 3 Percentage growth in revenue by main revenue source**

Description / R thousand	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
<b>Revenue By Source</b>								
Property rates	48 769	11.4%	54 700	12.0%	58 533	11.9%	62 635	11.9%
Property rates - penalties & collection cha	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - electricity revenue	196 419	45.9%	212 283	46.4%	229 254	46.8%	247 581	47.2%
Service charges - water revenue	43 442	10.2%	46 482	10.2%	49 736	10.2%	53 218	10.2%
Service charges - sanitation revenue	25 171	5.9%	26 933	5.9%	28 818	5.9%	29 020	5.5%
Service charges - refuse revenue	22 660	5.3%	24 246	5.3%	25 943	5.3%	27 759	5.3%
Service charges - other	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Rental of facilities and equipment	6 519	1.5%	7 018	1.5%	7 512	1.5%	8 045	1.5%
Interest earned - external investments	1 235	0.3%	1 005	0.2%	1 065	0.2%	1 129	0.2%
Interest earned - outstanding debtors	1 597	0.4%	1 682	0.4%	1 783	0.4%	1 890	0.4%
Dividends received	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Fines	1 938	0.5%	2 055	0.4%	2 178	0.4%	2 309	0.4%
Licences and permits	1 565	0.4%	1 658	0.4%	1 758	0.4%	1 863	0.4%
Agency services	3 280	0.8%	3 477	0.8%	3 685	0.8%	3 907	0.7%
Transfers recognised - operational	70 461	16.5%	66 000	14.4%	68 948	14.1%	73 506	14.0%
Other revenue	4 108	1.0%	3 077	0.7%	3 261	0.7%	3 457	0.7%
Gains on disposal of PPE	600	0.1%	7 000	1.5%	7 420	1.5%	7 865	1.5%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>427 763</b>	<b>100.0%</b>	<b>457 615</b>	<b>100.0%</b>	<b>489 895</b>	<b>100.0%</b>	<b>524 183</b>	<b>100.0%</b>
<b>Total Revenue from rates and service charges</b>	<b>336 460</b>	<b>78.7%</b>	<b>337 711</b>	<b>73.8%</b>	<b>392 283</b>	<b>80.1%</b>	<b>420 212</b>	<b>80.2%</b>

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise more than three quarters of the total revenue mix. In the 2012/2013 financial year, revenue from rates and services charges totaled R 336.5 million or 78.7%. This increases to R 337.7 million, R 392.3 million and R 420.2 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 78.7% in 2012/2013 to 80.2% in 2015/2016. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Electricity sales is the largest revenue source totalling 46.4% or R 212.3 million rand and increases to R 247.6 million by 2015/2016. Property rates is the second largest revenue source totalling 12.0% or R 54.7 million rand and increases to R 62.6 million by 2015/2016. Water is the third largest revenue source totalling 10.2% or R 46.5 million rand and increases to R 53.2 million by 2015/2016. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R 70.5 million in the 2012/2013 financial year and steadily increases to R 73.5 million by 2015/2016. Note that the year-on-year growth for the 2013/2014 financial year is 7.0% and 7.0% for the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and DWA bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services; whereas the cost drivers of a municipality are informed by items such as the cost of remuneration of salaries and allowances, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, etcetera. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

### 1.4.1 Property Rates

Property rates partially cover the cost of the provision of general services. However, some of these costs are subsidised through profits generated from trading services (electricity and water sales). Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the 2009/2010 budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 45,000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100% rebate may be granted to registered indigents in terms of the Customer Care, Credit Control, Debt Collection and Indigent Support Policy;
- For pensioners, physically and mentally disabled persons, a rebate of 20% to 100% (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and / or his / her spouse, if any, does not exceed the amount R 5 100 per month. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorised as residential; and
- The Municipality may award a 100% grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organisations, institutions or organisations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply in the prescribed format for such a grant.

- Agricultural properties in terms of the //Khara Hais Municipality's Property Rates Policy may qualify for a further rebate of up to 20%. The owner of such a property must apply in the prescribed format for such a rebate.

It needs to be noted that //Khara Hais Municipality do have two property rates policies. One for the original jurisdictional area of the municipality before the 18 May 2011 municipal elections and one for the jurisdictional area of the Siyanda District Municipality that was incorporated within the //Khara Hais Municipality's jurisdictional area after the municipal elections that were held on 18 May 2011. The reason why the Property Rates Policy of the Siyanda District Municipality was retained was because it included a phasing-in contractual arrangement for agricultural properties. In the case of //Khara Hais Municipality no phasing-in arrangements were in place since all agricultural properties were already taxed by the municipality for many years.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/2014 financial year based on the 7% increase from 1 July 2013 is contained in Table 5 below.

**Table 4 Comparison of proposed rates to levied for the 2013/14 financial year**

Category	Current Tariff from (1 July 2012)	Proposed Tariff from (1 July 2013)
	Cent / R 1	Cent / R 1
<b>//Khara Hais Municipality Jurisdictional Area before the 18 May 2011 municipal elections</b>		
Residential properties (Ratio 1.00 : 1.00)	1,2624	1,3507
Business properties (Ratio 1.00 : 1.10 / 1.50)	1,8936	2,0261
Agricultural properties (Ratio 1.00 : 0.25)	0,3156	0,3376
<b>//Siyanda District Municipality Jurisdictional Area before the 18 May 2011 municipal elections</b>		
Residential properties (Ratio 1.00 : 1.00)	0,7212	0,7716
Business properties (Ratio 1.00 : 1.25 / 1.50)	1,0818	1,1575
Public Infrastructure (Ratio 1.00 : 0.25)	0,1803	0,1929
Agricultural properties (As per agreement)	0,0564	0,0603

#### 1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;



- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent households); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014. Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. The municipality pumps its raw water from the Orange River and pays DWA for it.

A tariff increase of 7% from 1 July 2013 for water is proposed. This is based on input cost assumptions (bulk water purchases from DWA); the cost of other inputs like chemicals, vehicle costs and salaries; and, a surplus generated on the water service of a minimum 15%. In addition 10 kℓ water per month will again be granted through the equitable share grant to all registered indigent households.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS 2012/2013	PROPOSED TARIFFS 2013/2014
	Rand per kℓ	Rand per kℓ
<b>RESIDENTIAL</b>		
Basic charge per month	0.00	0.00
1 to 6 kℓ per month	4.36	4.66
7 to 18 kℓ per month	6.93	7.41
19 to 90 kℓ per month	4.24	4.53
More than 91 kℓ per month	5.33	5.70
<b>NON-RESIDENTIAL</b>		
Basic charge per month	246.00 / 676.00	263.00 / 723.00
1 to 6 kℓ per month	2.33	2.49
7 to 18 kℓ per month	3.94	4.21
19 to 90 kℓ per month	3.94	4.21
More than 91 kℓ per month	4.24	4.53

The following Table 6 shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house.

**Table 6 Comparison between current water charges and increases (Domestic)**

<b>Monthly Consumption kℓ</b>	<b>Current Amount Payable R</b>	<b>Proposed Amount Payable R</b>	<b>Difference / Increase R</b>	<b>Percentage Change</b>
<b>20</b>	117.80	126.05	8.25	7.0%
<b>30</b>	160.20	171.41	11.21	7.0%
<b>40</b>	202.60	216.78	14.18	7.0%
<b>50</b>	245.00	262.15	17.15	7.0%
<b>80</b>	372.20	398.25	26.05	7.0%
<b>100</b>	467.90	500.65	32.75	7.0%

The tariff structure of the 2013/2014 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R 5.70 per kiloliter for consumption in excess of 90 kℓ per month.

#### **1.4.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 8.0% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013. Due to growth in the municipality (new provincial hospital and Kalahari Mall included) the demand charges will increase and it will effectively mean bulk purchases in total to be 10.0% for 2013/2014 financial year.

Considering the Eskom increases, the consumer tariff had to be increased by 8% to offset the additional bulk purchase cost from 1 July 2013. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which might have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per month as a free basic service through the equitable share grant. Only registered indigent households receive free basic services (electricity, water, refuse removal and sanitation services).

The following Table 7 shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

**Table 7 Comparison between current electricity charges and increases (Domestic)**

<b>Monthly Consumption kWh</b>	<b>Current Amount Payable R</b>	<b>Proposed Amount Payable R</b>	<b>Difference / Increase R</b>	<b>Percentage Change</b>
<b>100</b>	176.41	190.52	14.11	8%
<b>250</b>	331.53	358.05	26.52	8%
<b>500</b>	590.05	637.25	47.20	8%
<b>750</b>	848.58	916.47	67.89	8%
<b>1,000</b>	1,107.10	1,195.67	88.57	8%
<b>2,000</b>	2,141.20	2,312.50	171.30	8%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has applied with NERSA to delay the implementation thereof until our pre-paid selling system communication problems are solved to avoid any revenue losses. The communication problems will be solved by the end on June 2013 and the step tariffs will be implemented by 1 July 2013.

Although the electricity network is in an excellent condition, the upgrading of the municipality's electricity network remains a strategic priority, especially the substations and transmission lines. The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

Owing to the high increases in Eskom's bulk tariffs over the last five years, it is clearly not possible to fund necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2013/2014 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

A tariff increase of 7% for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to sanitation services. It should be noted that electricity costs, chemical costs, and, salaries and allowances contributes approximately 45% of waste

water treatment input costs; therefore the higher than CPI increase of 7% per cent for sanitation tariffs.

The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the size of the improvements on the property with the argument that properties with bigger improvements on it will accommodate more people or business activities that will lead to the use more water to be discharged in the sewerage distribution networks – see calculations made in Table 8 below;
- Free sanitation services will be applicable to all registered indigents households; and
- The total revenue expected to be generated from rendering this service amounts to R 26.9 million for the 2013/2014 financial year.

The following Table 8 compares the current and proposed tariffs for household, business and other consumers.

**Table 8 Comparison between current sanitation charges and increases**

<b>Category</b>	<b>Current Tariff Per Month 2012/2013 R</b>	<b>Proposed Tariff Per Month 2013/2014 R</b>
<b><i>Household Properties</i></b>		
Improvements less than 70 m <sup>2</sup>	74.22	79.41
Improvements between 71 m <sup>2</sup> and 100 m <sup>2</sup>	95.51	102.19
Improvements between 101 m <sup>2</sup> and 200 m <sup>2</sup>	146.37	156.61
Improvements larger than 200 m <sup>2</sup>	175.18	187.44
<b><i>Hotels, Business and Offices generating revenue</i></b>		
For improvements up to 200 m <sup>2</sup>	163.42	174.85
The next 300 m <sup>2</sup> or portion thereof	163.42	174.85
For the next 400 m <sup>2</sup> or portion thereof above 500 m <sup>2</sup>	163.42	174.85
<b><i>Industrial Properties</i></b>		
For improvements up to 200 m <sup>2</sup>	163.42	174.85
The next 300 m <sup>2</sup> or portion thereof	136.84	146.41
For the next 400 m <sup>2</sup> or portion thereof above 500 m <sup>2</sup> to 4,100 m <sup>2</sup>	110.38	118.10
For the next 400 m <sup>2</sup> or portion thereof above 4,100 m <sup>2</sup>	54.74	58.57

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

**Table 9 Comparison between current sanitation charges and increases, houses**

<b>Category</b>	<b>Current Tariff Per Month 2012/2013 R</b>	<b>Proposed Tariff Per Month 2013/2014 R</b>	<b>Difference Per Month (7% Increase) R</b>
Improvements less than 70 m <sup>2</sup>	74.22	79.41	5.19
Improvements between 71 m <sup>2</sup> and 100 m <sup>2</sup>	95.51	102.19	6.68
Improvements between 101 m <sup>2</sup> and 200 m <sup>2</sup>	146.37	156.61	10.24
Improvements larger than 200 m <sup>2</sup>	175.18	187.44	12.26

#### 1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 7% increase in the waste removal tariff is proposed from 1 July 2013.

The following table compares current and proposed amounts payable from 1 July 2013 for refuse removal services.

**Table 10 Comparison between current waste removal fees and increases**

<b>Category</b>	<b>Current Tariff Per Month 2012/2013 R</b>	<b>Proposed Tariff Per Month 2013/2014 R</b>
<b>Household Properties</b>		
Improvements less than 100 m <sup>2</sup>	75.81	81.11
Improvements between 101 m <sup>2</sup> and 200 m <sup>2</sup>	111.45	119.25
Improvements larger than 200 m <sup>2</sup>	143.56	153.60
<b>Business Properties</b>		
Per m <sup>2</sup> for the 1 <sup>st</sup> 1,500 m <sup>2</sup> with a minimum levy of 125 m <sup>2</sup>	8.62	9.22
Per m <sup>2</sup> or portion thereof above 1,500 m <sup>2</sup> to 3,000 m <sup>2</sup> of floor space	4.31	4.61
Per m <sup>2</sup> or portion thereof of floor space above 3,000 m <sup>2</sup>	2.40	2.56

The amount payable for one removal per week varies from R 81.11 to R 153.60 for a household. This tariff includes free black plastic bags. Indigent households will get this basic service free by means of an indigent subsidy through the equitable share allocation from National Government.

## 1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2013/2014 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2013/2014 budget and MTREF (classified per main type of operating expenditure).

**Table 11 Summary of operating expenditure by standard classification item**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	%	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Expenditure By Type</b>										
Employee related costs	107 418	139 527	158 229	170 073	180 972	180 972	194 753	33.8%	206 438	218 825
Remuneration of councillors	4 977	5 334	6 531	7 303	6 714	6 714	7 280	1.3%	7 716	8 179
Debt impairment	2 949	784	4 830	540	540	540	550	0.1%	583	618
Depreciation & asset impairment	110 941	112 108	111 190	14 428	115 412	115 412	108 542	18.8%	115 054	121 958
Finance charges	6 611	7 594	9 417	12 740	13 268	13 268	15 369	2.7%	16 291	17 269
Bulk purchases	62 456	82 101	106 256	116 901	120 611	120 611	132 756	23.0%	140 722	149 165
Other materials	–	–	–	–	–	–	–	0.0%	–	–
Contracted services	6 419	10 120	9 650	10 485	17 357	17 357	12 961	2.2%	12 808	13 576
Transfers and grants	590	855	917	466	491	491	500	0.1%	530	562
Other expenditure	94 129	96 925	109 245	85 761	95 034	95 034	103 742	18.0%	110 149	117 067
Loss on disposal of PPE	–	–	1	–	–	–	–	0.0%	–	–
<b>Total Expenditure</b>	<b>396 490</b>	<b>455 347</b>	<b>516 266</b>	<b>418 697</b>	<b>550 398</b>	<b>550 398</b>	<b>576 453</b>	<b>100.0%</b>	<b>610 292</b>	<b>647 218</b>

The budgeted allocation for employee related costs for the 2013/2014 financial year totals R 194.8 million, which equals 33.8% per cent of the total operating expenditure. No salary cost-of-living collective agreement for 2013/2014 and onwards exists and the municipality has budgeted for a cost-of-living increase of 6% as recommended by National Treasury in MFMA Circular No 67. An annual cost-of-living increase of 6.0% has been included in the

two outer years of the MTREF. As part of the municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritisation of critical vacancies within the municipality. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 98% for the 2011/2012 financial year and the Writing-Off of Irrecoverable Debt Policy of the municipality. This collection rate would have been 99.5% if government honoured their debt payments. For the 2013/2014 financial year this amount equates to R 550 thousand and escalates to R 618 thousand by 2015/2016. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 108.5 million for the 2013/2014 financial and equates to 18.8% of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. This additional off-setting depreciation is not included in the budget for tariff calculation purposes. However, the municipality can expect to generate an operating deficit when the 2013/2014 annual financial statements are compiled compliant with the Accounting Standards since this off-setting depreciation is reflected in the Statement of Financial Performance and not directly to the Statement of Changes in Net Assets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.7% (R 15.4 million) of operating expenditure excluding annual redemption for 2013/2014 and increases to R 17.3 million by 2015/2016. As previously noted, the municipality has reached its prudential limits for borrowing – hence

the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 2.7% over the MTREF.

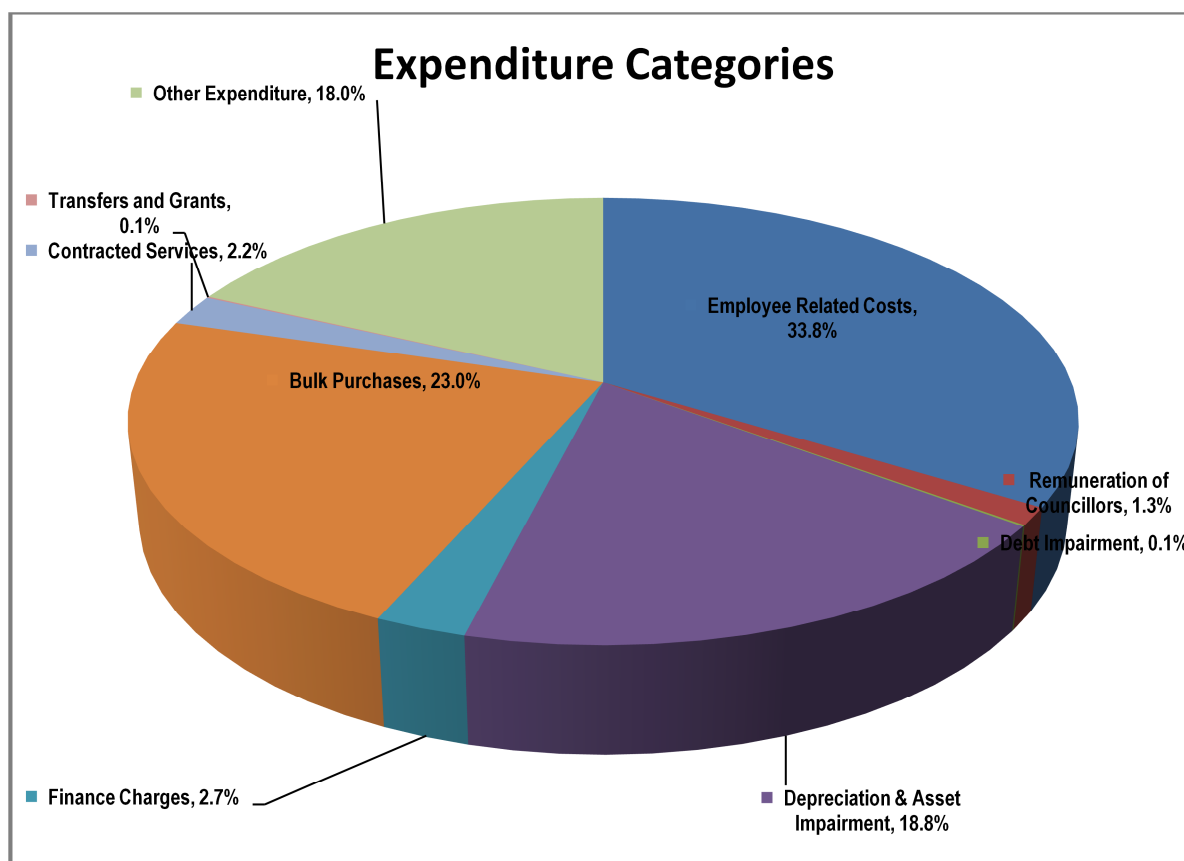
Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWA. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials to be procured for the maintenance of the municipality's assets are included under other expenditure. This includes an amount of R 14.7 million for the 2013/2014 financial year and R 15.6 million and R 16.5 million for the two outer years of the MTREF.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2013/2014 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/2014 financial year, this group of expenditure totals R 13.0 million and has increased by 2.2% compared to the 2012/2013 adjustments budget, clearly. For the two outer years growth has been limited to - 2.0% and 4.7% compared with the 2013/2014 budget. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2013/2014 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. As mentioned above it includes other materials for repair and maintenance of the municipality's assets. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 18.0% for 2013/2014 (repairs and maintenance costs that grows included) and curbed at 6.2% and 6.3% for the two outer years, indicating that significant cost savings have been already realised. The following table gives a breakdown of the main expenditure categories for the 2013/2014 financial year.





**Figure 1 Main operational expenditure categories for the 2013/2014 financial year**

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2013/2014 budget and MTREF provide for extensive growth in the area of asset maintenance (higher than the inflation rate), as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials, vehicle costs and contracted services.

Unfortunately the financial system of the municipality is set up in such a way that these costs cannot be calculated and allocated very easily to the different asset classes. Therefore the following table will only reflect other materials to be procured for repairs and maintenance purposes. The revised Table 12 gives a better picture of the consolidated cost drivers of all the expenditures associated with repairs and maintenance.

**Table 12 Operational repairs and maintenance**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and Maintenance by Expenditure Item									
Employee related costs	-	-	-	-	-	-	-	-	-
Other materials	8 436	10 465	10 471	11 610	12 282	12 282	14 711	15 594	16 529
Contracted Services	-	-	-	-	-	-	-	-	-
Other Expenditure	-	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expenditure</b>	<b>8 436</b>	<b>10 465</b>	<b>10 471</b>	<b>11 610</b>	<b>12 282</b>	<b>12 282</b>	<b>14 711</b>	<b>15 594</b>	<b>16 529</b>

**Revised Table 12 Operational repairs and maintenance**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and Maintenance by Expenditure Item									
Employee related costs	33 960	41 746	45 006	47 838	51 659	51 659	56 628	60 026	63 627
Transport Costs / Machine / Vehicle Hire	7 502	5 750	9 911	10 053	10 082	10 082	10 218	10 218	10 218
Contracted Services	-	-	960	1 495	34	34	986	114	121
Other Expenditure	11 890	14 456	15 677	16 587	16 740	16 740	18 199	19 291	20 449
<b>Total Repairs and Maintenance Expenditure</b>	<b>53 352</b>	<b>61 951</b>	<b>71 554</b>	<b>75 973</b>	<b>78 515</b>	<b>78 515</b>	<b>86 031</b>	<b>89 649</b>	<b>94 415</b>

During the compilation of the 2011/2012 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure. To this end, total repairs and maintenance was substantially increased by 15.5% per cent in the 2011/2012 financial year, from R 62.0 million to R 71.6 million. The 2012/2013 allocation slightly increased to R 76.0 million. However, during the 2012/2013 Adjustment Budget this allocation was increased to R 78.6 million resulting in an increase of 9.7% from 2011/2012 to 2012/2013. As part of the 2013/14 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2013/2014 equates to R 86.0 million a growth of 9.6% in relation to the 2012/2013 Adjustment Budget and continues to grow at 4.2% and 5.3% over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 14.9%, 14.7% and 14.6% for the respective financial years of the MTREF. 14.9% per cent or R 86.0 million of total repairs and maintenance will be spent on all assets. Table 13 below provides a breakdown of the repairs and maintenance (only other materials costs) in relation to asset class.

Water infrastructure has received a significant proportion of this allocation totalling 4.8% (R 709 thousand), followed roads and storm water at 4.6% (R 682 thousand), electricity infrastructure at 4.6% (R 681 thousand), sanitation at 4.2% (R 612 thousand) and other infrastructure at 0.2% (R 35 thousand). Community assets has been allocated R 538 thousand of repairs and maintenance costs equating to 3.7% while all other assets equates to R 11.45 million or 77.9%.

**Table 13 Repairs and maintenance per asset class**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
Infrastructure	1 217	1 492	1 803	2 407	2 079	2 079	2 719	2 882	3 055
Infrastructure - Road transport	302	359	547	669	646	646	682	723	766
Infrastructure - Electricity	482	695	642	661	553	553	681	722	765
Infrastructure - Water	393	338	510	813	672	672	709	752	797
Infrastructure - Sanitation	40	81	69	215	171	171	612	648	687
Infrastructure - Other	1	20	35	48	36	36	35	37	39
Community	289	403	428	484	435	435	538	570	604
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	6 929	8 567	8 240	8 719	9 768	9 768	11 454	12 142	12 870
Agricultural assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<b>Total Repairs and Maintenance Expenditure</b>	<b>8 436</b>	<b>10 462</b>	<b>10 471</b>	<b>11 610</b>	<b>12 282</b>	<b>12 282</b>	<b>14 711</b>	<b>15 594</b>	<b>16 529</b>

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 11 826 or more indigent households during the 2013/2014 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted single- and multi-year capital expenditure by vote. For 2013/2014 an amount of R 65.8 million has been appropriated for investment in property, plant and equipment. In the outer years this amount totals R 58.3 million and R 45.3 million respectively for each of the financial years. Technical Services receives the highest allocation of R 58.1 million in 2013/2014 which equates to 88.4% of the capital budget.

**Table 14 2013/14 Medium-term capital budget per vote**

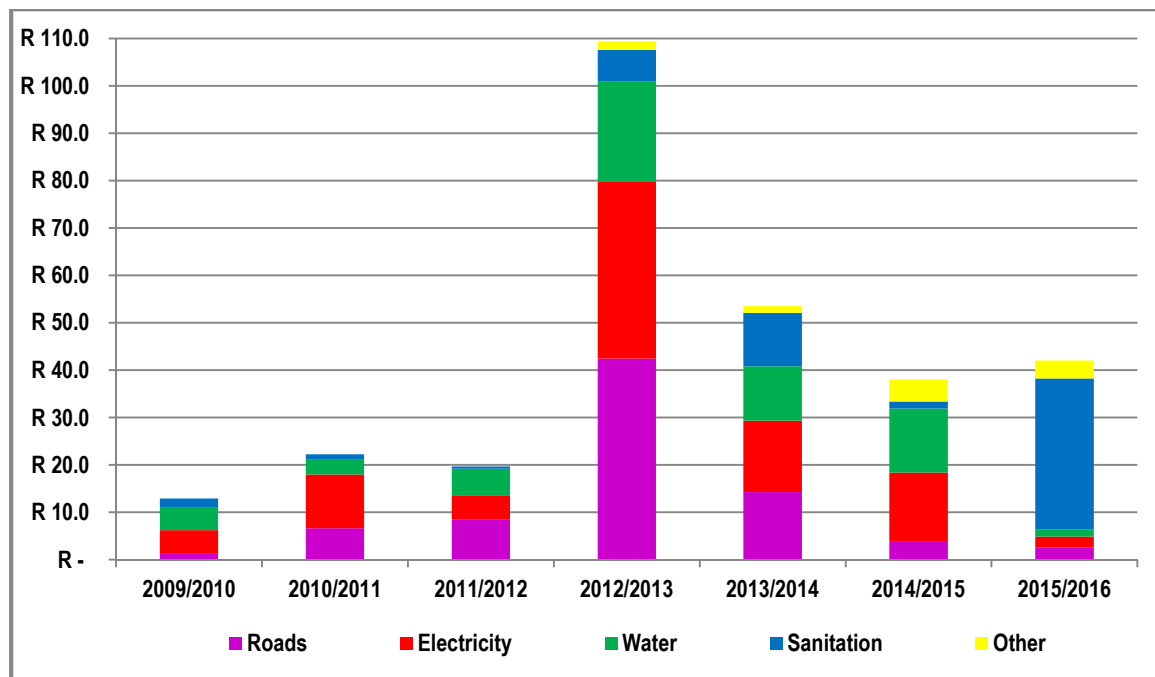
Description / R thousand	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure to be appropriated</b>								
Vote 1 - MUNICIPAL MANAGER	3 524	2.4%	1 400	2.1%	2 800	4.8%	2 800	6.2%
Vote 2 - CORPORATE SERVICES	1 817	1.3%	966	1.5%	1 500	2.6%	1 500	3.3%
Vote 3 - FINANCIAL SERVICES	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Vote 4 - DEVELOPMENT SERVICES	6 936	4.8%	1 502	2.3%	17 258	29.6%	1 000	2.2%
Vote 5 - TECHNICAL SERVICES	54 887	38.0%	35 358	53.8%	19 059	32.7%	31 813	70.3%
<b>Capital multi-year expenditure sub-total</b>	<b>67 164</b>	<b>46.5%</b>	<b>39 226</b>	<b>59.6%</b>	<b>40 617</b>	<b>69.7%</b>	<b>37 113</b>	<b>82.0%</b>
<b>Single-year expenditure to be appropriated</b>								
Vote 1 - MUNICIPAL MANAGER	839	0.6%	1 045	1.6%	1 640	2.8%	1 630	3.6%
Vote 2 - CORPORATE SERVICES	820	0.6%	250	0.4%	–	0.0%	–	0.0%
Vote 3 - FINANCIAL SERVICES	197	0.1%	–	0.0%	–	0.0%	–	0.0%
Vote 4 - DEVELOPMENT SERVICES	8 599	5.9%	2 509	3.8%	1 664	2.9%	110	0.2%
Vote 5 - TECHNICAL SERVICES	66 906	46.3%	22 751	34.6%	14 354	24.6%	6 402	14.1%
<b>Capital single-year expenditure sub-total</b>	<b>77 361</b>	<b>53.5%</b>	<b>26 555</b>	<b>40.4%</b>	<b>17 658</b>	<b>30.3%</b>	<b>8 142</b>	<b>18.0%</b>
<b>Total Capital Expenditure - Vote</b>	<b>144 525</b>	<b>100.0%</b>	<b>65 781</b>	<b>100.0%</b>	<b>58 275</b>	<b>100.0%</b>	<b>45 255</b>	<b>100.0%</b>

New assets represent 93.6% or R 61.6 million of the total capital budget while asset renewal equates to 6.4% or R 4.2 million.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Connection road over the railway line between Rosedale and Paballelo – R 18.2 million;
- Enlargement of main sewerage drainage line through Rosedale – R 6.9 million;
- A H September Water Treatment Works – R 23.8 million;
- Electrification projects for new developments (375 connections in Paballelo, 324 connections in Smartie Valley, 550 connections in Rosedale North and 455 connections in Rosedale West) – R 29.3 million;
- Development of new parks – R 12.0 million;
- Development of New Sport Grounds – R 4.9 million; and
- Extention of Kameelmond Sewerage Works – R 28.0 million.

The following graph provides a breakdown of the capital budget spent over the last three years and the capital expenditure to be spent on infrastructure related projects over the MTREF. Please note that the amounts in the graph represent millions of Rand.



**Figure 2 Capital Infrastructure Programme**

### 1.6.1 Future operational cost of new infrastructure

This concomitant operational expenditure is expected to escalate as new capital projects are implemented. It needs to be noted that as part of the 2013/2014 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## 1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/2014 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

### Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
  - b. Capital expenditure is balanced by capital funding sources, of which:
    - Transfers recognised is reflected on the Financial Performance Budget;
    - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget; and
    - Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing / surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

**Table 15 MBRR Table A1 - Budget Summary**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>									
Property rates	34 970	38 104	41 242	48 654	48 769	48 769	54 700	58 533	62 635
Service charges	173 988	213 821	248 713	284 996	287 691	287 691	309 944	333 750	357 578
Investment revenue	2 428	856	1 023	1 512	1 235	1 235	1 005	1 065	1 129
Transfers recognised - operational	70 322	48 786	56 218	66 551	70 461	70 461	66 000	68 948	73 506
Other own revenue	15 659	15 852	18 507	18 540	19 608	19 608	25 967	27 598	29 335
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>297 367</b>	<b>317 419</b>	<b>365 704</b>	<b>420 253</b>	<b>427 763</b>	<b>427 763</b>	<b>457 615</b>	<b>489 895</b>	<b>524 183</b>
Employee costs	107 418	139 527	158 229	170 073	180 972	180 972	194 753	206 438	218 825
Remuneration of councillors	4 977	5 334	6 531	7 303	6 714	6 714	7 280	7 716	8 179
Depreciation & asset impairment	110 941	112 108	111 190	14 428	115 412	115 412	108 542	115 054	121 958
Finance charges	6 611	7 594	9 417	12 740	13 268	13 268	15 369	16 291	17 269
Materials and bulk purchases	62 456	82 101	106 256	116 901	120 611	120 611	132 756	140 722	149 165
Transfers and grants	590	855	917	466	491	491	500	530	562
Other expenditure	103 498	107 828	123 726	96 786	112 931	112 931	117 253	123 540	131 261
<b>Total Expenditure</b>	<b>396 490</b>	<b>455 347</b>	<b>516 266</b>	<b>418 697</b>	<b>550 398</b>	<b>550 398</b>	<b>576 453</b>	<b>610 292</b>	<b>647 218</b>
<b>Surplus/(Deficit)</b>	<b>(99 123)</b>	<b>(137 927)</b>	<b>(150 563)</b>	<b>1 556</b>	<b>(122 634)</b>	<b>(122 634)</b>	<b>(118 838)</b>	<b>(120 397)</b>	<b>(123 035)</b>
Transfers recognised - capital	9 179	8 719	13 634	34 560	60 775	60 775	28 471	23 633	28 114
Contributions recognised - capital & contributed assets	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>
<b>Capital expenditure &amp; funds sources</b>									
Capital expenditure	28 179	33 313	42 710	81 028	144 525	144 525	65 781	58 275	45 255
Transfers recognised - capital	9 179	8 719	12 734	34 560	60 775	60 775	37 022	29 594	19 343
Public contributions & donations	—	—	—	—	—	—	—	—	—
Borrowing	12 450	15 541	26 599	42 468	78 263	78 263	26 259	22 681	19 912
Internally generated funds	6 550	9 054	3 378	4 000	5 487	5 487	2 500	6 000	6 000
<b>Total sources of capital funds</b>	<b>28 179</b>	<b>33 313</b>	<b>42 710</b>	<b>81 028</b>	<b>144 525</b>	<b>144 525</b>	<b>65 781</b>	<b>58 275</b>	<b>45 255</b>
<b>Financial position</b>									
Total current assets	54 530	63 020	60 866	52 411	52 411	52 411	62 183	54 073	53 073
Total non current assets	2 384 153	2 301 266	2 232 785	2 444 176	2 406 689	2 406 689	2 363 928	2 307 149	2 230 446
Total current liabilities	50 282	78 651	111 225	89 170	108 363	108 363	143 784	157 745	153 824
Total non current liabilities	83 783	117 039	150 812	198 315	239 610	239 610	261 566	279 480	300 618
Community wealth/Equity	2 304 617	2 168 595	2 031 615	2 209 102	2 111 128	2 111 128	2 020 761	1 923 997	1 829 076
<b>Cash flows</b>									
Net cash from (used) operating	24 693	5 740	12 483	49 980	79 927	79 927	38 127	46 138	34 105
Net cash from (used) investing	(33 773)	(33 331)	(38 592)	(82 028)	(144 925)	(144 925)	(57 781)	(50 855)	(37 389)
Net cash from (used) financing	2 713	15 547	17 274	37 426	70 375	70 375	8 526	4 607	4 284
Cash/cash equivalents at the year end	16 977	4 932	(3 903)	17 744	17 744	17 744	6 615	6 506	7 506
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	22 682	10 695	(2 255)	22 744	22 744	22 744	10 615	10 506	11 506
Application of cash and investments	10 909	15 145	28 848	25 064	44 157	44 157	63 435	87 221	90 122
Balance - surplus (shortfall)	11 773	(4 450)	(31 103)	(2 320)	(21 413)	(21 413)	(52 819)	(76 716)	(78 617)
<b>Asset management</b>									
Asset register summary (WDV)	2 384 148	2 301 263	2 232 784	2 444 176	2 406 689	2 406 689	2 363 928	2 307 149	2 230 446
Depreciation & asset impairment	110 941	112 108	111 190	14 428	115 412	115 412	108 542	115 054	121 958
Renewal of Existing Assets	—	—	4 938	4 780	16 904	16 904	4 225	1 800	5 500
Repairs and Maintenance	8 436	10 462	10 471	11 610	12 282	12 282	14 711	15 594	16 529
<b>Free services</b>									
Cost of Free Basic Services provided	12 555	16 117	20 159	20 499	22 671	22 671	21 937	23 479	28 521
Revenue cost of free services provided	13 582	17 484	22 257	20 658	22 830	22 830	22 105	23 657	31 010
<b>Households below minimum service level</b>									
Water:	0	0	0	—	—	—	—	—	—
Sanitation/sewerage:	2	2	2	3	7	7	4	4	4
Energy:	1	1	2	2	2	2	1	1	0
Refuse:	—	—	—	5	5	5	6	6	8

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs except for the case of eradicating the bucket systems.

Government assistance and allocations through the housing programme is slow and unacceptable.

**Table 16 MBRR Table A2 - Budgeted Financial Performance  
(Revenue and expenditure by standard classification)**

Standard Classification Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>									
<i>Governance and administration</i>	83 558	94 374	111 730	149 134	172 887	172 887	155 300	157 668	171 182
Executive and council	34 974	38 105	41 260	48 654	48 771	48 771	54 700	58 533	62 635
Budget and treasury office	47 729	55 434	69 110	99 192	122 208	122 208	92 586	90 667	99 599
Corporate services	854	835	1 360	1 288	1 908	1 908	8 013	8 467	8 948
<i>Community and public safety</i>	47 790	15 931	16 300	17 167	25 464	25 464	18 323	19 523	20 803
Community and social services	1 328	884	563	1 279	994	994	1 366	1 448	1 534
Sport and recreation	5 330	3 994	5 774	5 650	5 791	5 791	6 282	6 769	7 294
Public safety	5 780	6 717	7 133	7 421	7 727	7 727	7 890	8 353	8 845
Housing	34 225	3 216	1 649	1 600	9 733	9 733	1 500	1 590	1 685
Health	1 126	1 119	1 180	1 216	1 219	1 219	1 285	1 362	1 444
<i>Economic and environmental services</i>	865	1 697	1 990	2 019	2 246	2 246	2 294	2 348	2 482
Planning and development	707	1 114	1 233	1 810	2 036	2 036	2 072	2 114	2 234
Road transport	158	582	757	209	210	210	221	235	249
<i>Trading services</i>	174 334	214 127	249 317	286 492	287 942	287 942	310 169	333 989	357 830
Electricity	108 228	143 381	171 756	194 192	196 582	196 582	212 416	229 394	247 730
Water	34 510	35 988	37 266	43 414	43 529	43 529	46 575	49 834	53 321
Waste water management	19 044	20 367	23 315	26 227	25 171	25 171	26 933	28 818	29 020
Waste management	12 552	14 390	16 980	22 659	22 660	22 660	24 246	25 943	27 759
Other	1	10	1	1	0	0	0	0	0
<b>Total Revenue - Standard</b>	<b>306 547</b>	<b>326 138</b>	<b>379 337</b>	<b>454 813</b>	<b>488 539</b>	<b>488 539</b>	<b>486 086</b>	<b>513 528</b>	<b>552 297</b>
<b>Expenditure - Standard</b>									
<i>Governance and administration</i>	156 168	227 936	153 316	105 245	108 782	108 782	118 485	128 325	138 761
Executive and council	107 453	158 533	50 926	23 543	26 350	26 350	28 979	31 184	33 521
Budget and treasury office	30 718	30 342	51 318	37 043	40 323	40 323	44 644	47 923	51 399
Corporate services	17 997	39 061	51 073	44 659	42 108	42 108	44 862	49 218	53 842
<i>Community and public safety</i>	73 483	51 592	69 627	62 527	87 543	87 543	82 402	87 167	92 326
Community and social services	2 976	4 411	6 449	6 167	8 438	8 438	8 705	9 225	9 777
Sport and recreation	19 901	23 703	35 018	28 857	38 899	38 899	40 776	43 097	45 643
Public safety	13 187	16 086	19 263	19 071	22 458	22 458	23 533	24 912	26 394
Housing	33 909	3 229	3 955	3 198	12 699	12 699	4 076	4 318	4 574
Health	3 510	4 163	4 943	5 234	5 049	5 049	5 312	5 615	5 937
<i>Economic and environmental services</i>	16 036	(6 498)	74 991	25 032	78 724	78 724	79 288	83 951	88 895
Planning and development	5 847	9 591	13 215	10 491	12 946	12 946	14 288	15 260	16 290
Road transport	10 189	(16 089)	61 776	14 541	65 778	65 778	65 000	68 691	72 605
<i>Trading services</i>	149 624	180 839	216 712	224 192	273 583	273 583	294 401	308 859	325 130
Electricity	83 330	109 189	136 273	143 909	164 345	164 345	179 442	189 595	200 357
Water	27 673	31 453	41 465	32 966	48 581	48 581	50 686	52 805	55 570
Waste water management	17 712	19 241	21 601	24 770	33 114	33 114	34 805	35 920	37 529
Waste management	20 908	20 956	17 372	22 547	27 543	27 543	29 469	30 539	31 674
Other	1 179	1 478	1 620	1 701	1 767	1 767	1 878	1 989	2 106
<b>Total Expenditure - Standard</b>	<b>396 490</b>	<b>455 347</b>	<b>516 266</b>	<b>418 697</b>	<b>550 398</b>	<b>550 398</b>	<b>576 453</b>	<b>610 292</b>	<b>647 218</b>
<b>Surplus/(Deficit) for the year</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.



- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste Water Management functions, but not the Waste Management function. For the first time the Waste Management function's operating revenue will exceed the operating expenditure.
- Other functions that show a deficit between revenue and expenditure are being financed through the trading services profit, from rates revenues and other revenue sources reflected in the table.

**Table 17 MBRR Table A3 - Budgeted Financial Performance  
(Revenue and expenditure by municipal vote)**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue by Vote</b>									
Vote 1 - MUNICIPAL MANAGER	74 509	44 994	48 432	55 476	63 787	63 787	61 842	66 216	70 900
Vote 2 - CORPORATE SERVICES	914	879	1 490	1 392	2 012	2 012	8 123	8 583	9 072
Vote 3 - FINANCIAL SERVICES	47 864	55 568	69 247	99 192	122 294	122 294	92 677	90 764	99 701
Vote 4 - DEVELOPMENT SERVICES	22 759	25 504	28 447	35 395	35 546	35 546	38 361	40 920	43 650
Vote 5 - TECHNICAL SERVICES	160 500	199 193	231 722	263 358	264 899	264 899	285 083	307 045	328 975
<b>Total Revenue by Vote</b>	<b>306 547</b>	<b>326 138</b>	<b>379 337</b>	<b>454 813</b>	<b>488 539</b>	<b>488 539</b>	<b>486 086</b>	<b>513 528</b>	<b>552 297</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - MUNICIPAL MANAGER	150 067	177 077	75 729	44 880	59 821	59 821	56 312	60 157	64 317
Vote 2 - CORPORATE SERVICES	9 698	14 599	28 081	17 160	21 120	21 120	23 048	24 977	27 026
Vote 3 - FINANCIAL SERVICES	30 854	30 466	51 454	37 043	40 409	40 409	44 734	48 019	51 501
Vote 4 - DEVELOPMENT SERVICES	65 399	77 772	91 626	93 177	111 112	111 112	117 441	123 538	130 023
Vote 5 - TECHNICAL SERVICES	140 472	155 434	269 376	226 437	317 936	317 936	334 917	353 601	374 351
<b>Total Expenditure by Vote</b>	<b>396 490</b>	<b>455 347</b>	<b>516 266</b>	<b>418 697</b>	<b>550 398</b>	<b>550 398</b>	<b>576 453</b>	<b>610 292</b>	<b>647 218</b>
<b>Surplus/(Deficit) for the year</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

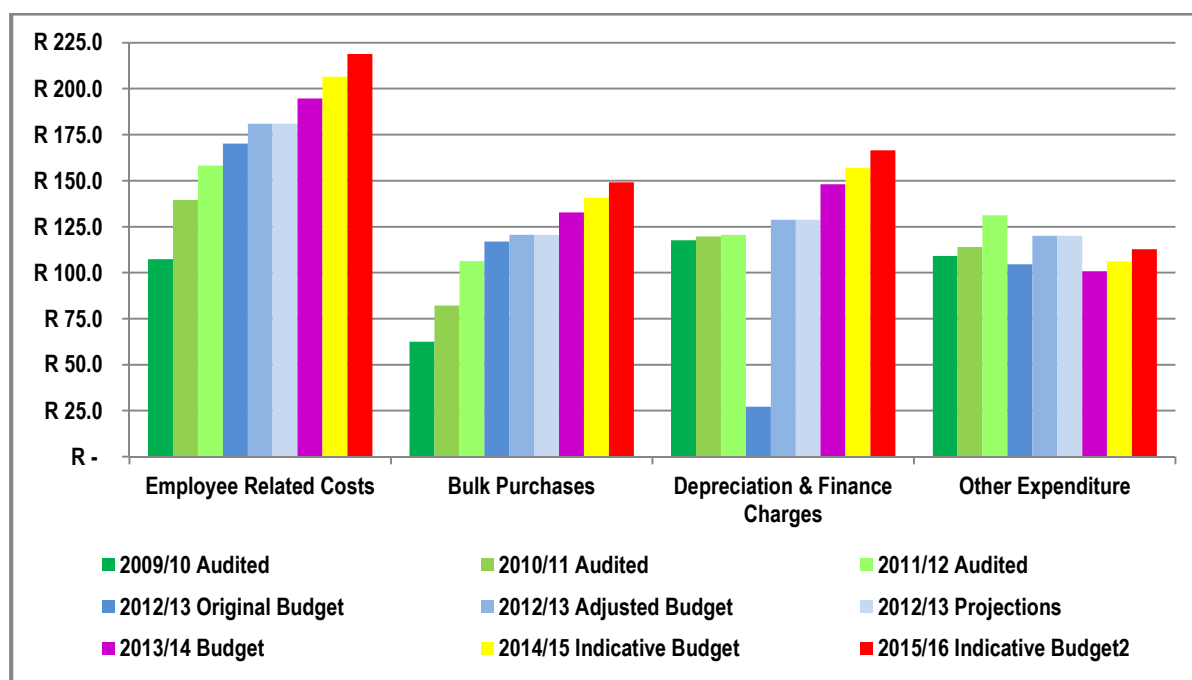
Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>									
Property rates	34 970	38 104	41 242	48 654	48 769	48 769	54 700	58 533	62 635
Service charges - electricity revenue	108 081	143 213	171 615	194 082	196 419	196 419	212 283	229 254	247 581
Service charges - water revenue	34 312	35 861	37 086	43 412	43 442	43 442	46 482	49 736	53 218
Service charges - sanitation revenue	19 044	20 356	23 065	24 842	25 171	25 171	26 933	28 818	29 020
Service charges - refuse revenue	12 552	14 390	16 948	22 659	22 660	22 660	24 246	25 943	27 759
Rental of facilities and equipment	5 754	4 404	6 371	6 192	6 519	6 519	7 018	7 512	8 045
Interest earned - external investments	2 428	856	1 023	1 512	1 235	1 235	1 005	1 065	1 129
Interest earned - outstanding debtors	1 791	2 123	2 344	2 902	1 597	1 597	1 682	1 783	1 890
Fines	1 001	1 386	1 521	1 611	1 938	1 938	2 055	2 178	2 309
Licences and permits	1 232	1 554	1 732	1 669	1 565	1 565	1 658	1 758	1 863
Agency services	2 830	3 075	3 245	3 415	3 280	3 280	3 477	3 685	3 907
Transfers recognised - operational	70 322	48 786	56 218	66 551	70 461	70 461	66 000	68 948	73 506
Other revenue	2 980	3 263	3 293	2 751	4 108	4 108	3 077	3 261	3 457
Gains on disposal of PPE	71	48	–	–	600	600	7 000	7 420	7 865
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>297 367</b>	<b>317 419</b>	<b>365 704</b>	<b>420 253</b>	<b>427 763</b>	<b>427 763</b>	<b>457 615</b>	<b>489 895</b>	<b>524 183</b>
<b>Expenditure By Type</b>									
Employee related costs	107 418	139 527	158 229	170 073	180 972	180 972	194 753	206 438	218 825
Remuneration of councillors	4 977	5 334	6 531	7 303	6 714	6 714	7 280	7 716	8 179
Debt impairment	2 949	784	4 830	540	540	540	550	583	618
Depreciation & asset impairment	110 941	112 108	111 190	14 428	115 412	115 412	108 542	115 054	121 958
Finance charges	6 611	7 594	9 417	12 740	13 268	13 268	15 369	16 291	17 269
Bulk purchases	62 456	82 101	106 256	116 901	120 611	120 611	132 756	140 722	149 165
Contracted services	6 419	10 120	9 650	10 485	17 357	17 357	12 961	12 808	13 576
Transfers and grants	590	855	917	466	491	491	500	530	562
Other expenditure	94 129	96 925	109 245	85 761	95 034	95 034	103 742	110 149	117 067
Loss on disposal of PPE	–	–	1	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>396 490</b>	<b>455 347</b>	<b>516 266</b>	<b>418 697</b>	<b>550 398</b>	<b>550 398</b>	<b>576 453</b>	<b>610 292</b>	<b>647 218</b>
<b>Surplus/(Deficit)</b>	<b>(99 123)</b>	<b>(137 927)</b>	<b>(150 563)</b>	<b>1 556</b>	<b>(122 634)</b>	<b>(122 634)</b>	<b>(118 838)</b>	<b>(120 397)</b>	<b>(123 035)</b>
Transfers recognised - capital	9 179	8 719	13 634	34 560	60 775	60 775	28 471	23 633	28 114
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>
Taxation	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>
Attributable to minorities	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>(89 943)</b>	<b>(129 208)</b>	<b>(136 929)</b>	<b>36 116</b>	<b>(61 859)</b>	<b>(61 859)</b>	<b>(90 367)</b>	<b>(96 764)</b>	<b>(94 921)</b>

### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R 457.6 million in 2013/2014 and escalates to R 524.2 million by 2015/2016. This represents a year-on-year increase of 7.0% for the 2014/2015 financial year and 7.0% for the 2015/2016 financial year.
2. Revenue to be generated from property rates is R 54.7 million in the 2013/2014 financial year and increases to R 62.6 million by 2015/2016 which represents 11.9% of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-

term and tariff increases have been factored in at 7%, 7% and 7% for each of the respective financial years of the MTREF.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R 309.9 million for the 2013/2014 financial year and increasing to R 357.6 million by 2015/2016. For the 2013/2014 financial year services charges amount to 67.7% of the total revenue base and grows by about 7% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are decreasing / increasing over the MTREF by -6.3%, 4.5% and 6.6%. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.



**Figure 3 Expenditure by major type**

The graph above illustrates the major expenditure items per type. Please note that the amounts in the graph represent millions of rand.

1. Bulk purchases have significantly increased over the 2009/2010 to 2015/2016 period escalating from R 62.5 million to R 149.2 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
2. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
3. Off-setting depreciation, due to the implementation of the GRAP Accounting Standards on the municipality's assets that has to be recorded directly into the Statement of Financial Performance instead of the Statement of Changes in Net Assets is skewing the picture with regard to depreciation and finance charges.

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 below is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for the 2013/2014 financial year R 39.2 million has been allocated of the total R 65.8 million capital budget, which totals 59.6%. This allocation increases to R 40.6 million in 2014/2015 and then flattens out to R 37.1 million in 2015/2016 owing primarily to the fact that various projects reach completion in 2013/2014 hence the spike in expenditure in year two.
3. Single-year capital expenditure has been appropriated at R 26.6 million for the 2013/2014 financial year and decreases over the MTREF at levels of R 17.7 million and R 8.1 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialised tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as

informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

**Table 19 MBRR Table A5 - Budgeted Capital Expenditure  
by vote, standard classification and funding source**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure - Vote</b>									
<i>Multi-year expenditure to be appropriated</i>									
Vote 1 - MUNICIPAL MANAGER	–	–	93	3 310	3 524	3 524	1 400	2 800	2 800
Vote 2 - CORPORATE SERVICES	9	–	991	–	1 817	1 817	966	1 500	1 500
Vote 3 - FINANCIAL SERVICES	4	–	–	–	–	–	–	–	–
Vote 4 - DEVELOPMENT SERVICES	–	–	–	–	6 936	6 936	1 502	17 258	1 000
Vote 5 - TECHNICAL SERVICES	7	–	7 897	46 901	54 887	54 887	35 358	19 059	31 813
<b>Capital multi-year expenditure sub-total</b>	<b>20</b>	<b>–</b>	<b>8 981</b>	<b>50 211</b>	<b>67 164</b>	<b>67 164</b>	<b>39 226</b>	<b>40 617</b>	<b>37 113</b>
<i>Single-year expenditure to be appropriated</i>									
Vote 1 - MUNICIPAL MANAGER	1 797	1 612	876	1 150	839	839	1 045	1 640	1 630
Vote 2 - CORPORATE SERVICES	1 209	4 909	1 015	–	820	820	250	–	–
Vote 3 - FINANCIAL SERVICES	125	142	97	–	197	197	–	–	–
Vote 4 - DEVELOPMENT SERVICES	2 896	3 108	3 035	–	8 599	8 599	2 509	1 664	110
Vote 5 - TECHNICAL SERVICES	22 132	23 543	28 706	29 666	66 906	66 906	22 751	14 354	6 402
<b>Capital single-year expenditure sub-total</b>	<b>28 160</b>	<b>33 313</b>	<b>33 729</b>	<b>30 816</b>	<b>77 361</b>	<b>77 361</b>	<b>26 555</b>	<b>17 658</b>	<b>8 142</b>
<b>Total Capital Expenditure - Vote</b>	<b>28 179</b>	<b>33 313</b>	<b>42 710</b>	<b>81 028</b>	<b>144 525</b>	<b>144 525</b>	<b>65 781</b>	<b>58 275</b>	<b>45 255</b>
<b>Capital Expenditure - Standard</b>									
<i>Governance and administration</i>	12 109	7 982	20 197	9 650	19 480	19 480	9 676	5 940	5 930
Executive and council	550	41	800	3 950	3 829	3 829	2 445	4 440	4 430
Budget and treasury office	129	142	97	–	197	197	–	–	–
Corporate services	11 429	7 799	19 300	5 700	15 454	15 454	7 231	1 500	1 500
<i>Community and public safety</i>	2 554	3 039	2 626	–	15 463	15 463	4 011	17 065	110
Community and social services	250	264	1 465	–	3 093	3 093	1 066	686	–
Sport and recreation	2 093	391	860	–	12 124	12 124	2 945	16 379	110
Public safety	129	2 274	287	–	247	247	–	–	–
Housing	–	26	–	–	–	–	–	–	–
Health	82	83	15	–	–	–	–	–	–
<i>Economic and environmental services</i>	1 216	6 892	8 369	18 402	44 112	44 112	14 271	3 952	2 600
Planning and development	206	98	147	510	614	614	14 271	3 952	2 600
Road transport	1 010	6 794	8 221	17 892	43 498	43 498	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
<i>Trading services</i>	12 290	15 401	11 518	52 975	65 470	65 470	37 822	31 319	36 615
Electricity	5 107	11 359	5 024	23 026	37 307	37 307	15 050	14 414	2 259
Water	4 734	2 054	5 550	21 140	21 389	21 389	11 520	13 500	1 600
Waste water management	1 990	1 951	526	8 809	6 712	6 712	11 252	1 546	31 756
Waste management	459	37	418	–	62	62	–	1 857	1 000
<i>Other</i>	11	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure - Standard</b>	<b>28 179</b>	<b>33 313</b>	<b>42 710</b>	<b>81 028</b>	<b>144 525</b>	<b>144 525</b>	<b>65 781</b>	<b>58 275</b>	<b>45 255</b>
<b>Funded by:</b>									
National Government	6 161	7 820	12 117	34 050	45 453	45 453	36 746	29 318	19 343
Provincial Government	3 019	364	617	510	11 817	11 817	276	276	–
District Municipality	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	535	–	–	3 506	3 506	–	–	–
Transfers recognised - capital	9 179	8 719	12 734	34 560	60 775	60 775	37 022	29 594	19 343
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	12 450	15 541	26 599	42 468	78 263	78 263	26 259	22 681	19 912
Internally generated funds	6 550	9 054	3 378	4 000	5 487	5 487	2 500	6 000	6 000
<b>Total Capital Funding</b>	<b>28 179</b>	<b>33 313</b>	<b>42 710</b>	<b>81 028</b>	<b>144 525</b>	<b>144 525</b>	<b>65 781</b>	<b>58 275</b>	<b>45 255</b>

5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2013/2014, capital transfers totals R 37.0 million (56.3%)

and decreases to R 19.3 million by 2015/2016 (42.7%). Borrowing has been provided at R 68.9 million over the MTREF with internally generated funding totaling R 2.5 million, R 6.0 million and R 6.0 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

**Table 20 MBRR Table A6 - Budgeted Financial Position**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>ASSETS</b>									
Current assets									
Cash	213	6	6	6	6	6	6	6	6
Call investment deposits	26 241	12 057	8 037	22 738	22 738	22 738	15 610	14 500	14 500
Consumer debtors	17 683	38 674	36 897	22 167	22 167	22 167	30 567	25 567	25 567
Other debtors	6 595	7 228	9 778	3 715	3 715	3 715	9 000	8 000	7 000
Current portion of long-term receivables	13	23	20	—	—	—	—	—	—
Inventory	3 785	5 033	6 129	3 785	3 785	3 785	7 000	6 000	6 000
<b>Total current assets</b>	<b>54 530</b>	<b>63 020</b>	<b>60 866</b>	<b>52 411</b>	<b>52 411</b>	<b>52 411</b>	<b>62 183</b>	<b>54 073</b>	<b>53 073</b>
Non current assets									
Long-term receivables	5	3	2	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—
Investment property	179 157	182 357	182 357	182 357	182 357	182 357	182 357	182 357	182 357
Investment in Associate	—	—	—	—	—	—	—	—	—
Property, plant and equipment	2 201 746	2 116 813	2 048 726	2 259 167	2 221 241	2 221 241	2 178 479	2 120 200	2 041 997
Agricultural	—	—	—	—	—	—	—	—	—
Biological	—	—	—	—	—	—	—	—	—
Intangible	3 245	2 093	1 700	2 652	3 092	3 092	3 092	4 592	6 092
Other non-current assets	—	—	—	—	—	—	—	—	—
<b>Total non current assets</b>	<b>2 384 153</b>	<b>2 301 266</b>	<b>2 232 785</b>	<b>2 444 176</b>	<b>2 406 689</b>	<b>2 406 689</b>	<b>2 363 928</b>	<b>2 307 149</b>	<b>2 230 446</b>
<b>TOTAL ASSETS</b>	<b>2 438 682</b>	<b>2 364 286</b>	<b>2 293 652</b>	<b>2 496 587</b>	<b>2 459 100</b>	<b>2 459 100</b>	<b>2 426 111</b>	<b>2 361 222</b>	<b>2 283 519</b>
<b>LIABILITIES</b>									
Current liabilities									
Bank overdraft	3 773	1 368	10 298	—	—	—	5 000	4 000	3 000
Borrowing	3 653	6 555	11 714	18 000	18 000	18 000	17 074	15 628	10 286
Consumer deposits	4 620	5 739	6 154	10 958	10 958	10 958	8 000	7 000	7 000
Trade and other payables	34 404	61 514	77 937	50 432	69 625	69 625	107 711	125 617	127 538
Provisions	3 833	3 476	5 122	9 780	9 780	9 780	6 000	5 500	6 000
<b>Total current liabilities</b>	<b>50 282</b>	<b>78 651</b>	<b>111 225</b>	<b>89 170</b>	<b>108 363</b>	<b>108 363</b>	<b>143 784</b>	<b>157 745</b>	<b>153 824</b>
Non current liabilities									
Borrowing	58 730	70 207	81 907	153 643	186 592	186 592	199 002	206 056	215 682
Provisions	25 053	46 833	68 905	44 672	53 018	53 018	62 564	73 424	84 936
<b>Total non current liabilities</b>	<b>83 783</b>	<b>117 039</b>	<b>150 812</b>	<b>198 315</b>	<b>239 610</b>	<b>239 610</b>	<b>261 566</b>	<b>279 480</b>	<b>300 618</b>
<b>TOTAL LIABILITIES</b>	<b>134 065</b>	<b>195 691</b>	<b>262 037</b>	<b>287 484</b>	<b>347 973</b>	<b>347 973</b>	<b>405 350</b>	<b>437 225</b>	<b>454 442</b>
<b>NET ASSETS</b>	<b>2 304 617</b>	<b>2 168 595</b>	<b>2 031 615</b>	<b>2 209 102</b>	<b>2 111 128</b>	<b>2 111 128</b>	<b>2 020 761</b>	<b>1 923 997</b>	<b>1 829 076</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	2 304 617	2 168 595	2 031 615	2 209 102	2 111 128	2 111 128	2 020 761	1 923 997	1 829 076
Reserves	—	—	—	—	—	—	—	—	—
Minorities' interests	—	—	—	—	—	—	—	—	—
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2 304 617</b>	<b>2 168 595</b>	<b>2 031 615</b>	<b>2 209 102</b>	<b>2 111 128</b>	<b>2 111 128</b>	<b>2 020 761</b>	<b>1 923 997</b>	<b>1 829 076</b>

### Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors, management and other users

of budget documentation of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the Statement of Financial Position.

**Table 21 MBRR Table A7 - Budgeted Cash Flow Statement**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Ratepayers and other	212 905	251 483	324 400	345 187	349 771	349 771	364 478	417 095	440 174
Government - operating	70 322	45 570	54 618	66 551	70 461	70 461	66 000	68 948	73 506
Government - capital	9 179	8 719	13 634	34 560	60 775	60 775	28 471	23 633	28 114
Interest	4 240	2 979	3 368	4 415	2 832	2 832	2 687	2 849	3 019
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(264 558)	(294 561)	(373 203)	(387 527)	(390 153)	(390 153)	(407 640)	(449 566)	(492 879)
Finance charges	(6 598)	(7 594)	(9 417)	(12 740)	(13 268)	(13 268)	(15 369)	(16 291)	(17 269)
Transfers and Grants	(798)	(855)	(917)	(466)	(491)	(491)	(500)	(530)	(562)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>24 693</b>	<b>5 740</b>	<b>12 483</b>	<b>49 980</b>	<b>79 927</b>	<b>79 927</b>	<b>38 127</b>	<b>46 138</b>	<b>34 105</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on disposal of PPE	71	48	(1)	-	600	600	7 000	7 420	7 865
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	41	(8)	4	-	-	-	-	-	-
Decrease (increase) in non-current investments	(5 705)	(58)	4 115	(1 000)	(1 000)	(1 000)	1 000	-	-
Payments									
Capital assets	(28 179)	(33 313)	(42 710)	(81 028)	(144 525)	(144 525)	(65 781)	(58 275)	(45 255)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(33 773)</b>	<b>(33 331)</b>	<b>(38 592)</b>	<b>(82 028)</b>	<b>(144 925)</b>	<b>(144 925)</b>	<b>(57 781)</b>	<b>(50 855)</b>	<b>(37 389)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	4 704	19 519	23 465	42 468	78 263	78 263	26 259	22 681	19 912
Increase (decrease) in consumer deposits	722	1 168	415	2 958	2 958	2 958	(2 958)	(1 000)	-
Payments									
Repayment of borrowing	(2 713)	(5 140)	(6 606)	(8 000)	(10 845)	(10 845)	(14 775)	(17 074)	(15 628)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>2 713</b>	<b>15 547</b>	<b>17 274</b>	<b>37 426</b>	<b>70 375</b>	<b>70 375</b>	<b>8 526</b>	<b>4 607</b>	<b>4 284</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(6 368)</b>	<b>(12 045)</b>	<b>(8 836)</b>	<b>5 378</b>	<b>5 378</b>	<b>5 378</b>	<b>(11 128)</b>	<b>(110)</b>	<b>1 000</b>
Cash/cash equivalents at the year begin:	23 344	16 977	4 932	12 366	12 366	12 366	17 744	6 615	6 506
Cash/cash equivalents at the year end:	16 977	4 932	(3 903)	17 744	17 744	17 744	6 615	6 506	7 506

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality fell significantly over the 2009/2010 to 2011/2012 period owing directly to a net decrease in cash for the 2010/2011 and 2011/2012 financial years of R 12.0 million and R 8.8 million respectively. The 2012/2013 financial year project a net increase of R 5.4 million with an overall projected positive cash position of R 17.7 million. This amount includes unspent conditional grants.



4. The draft 2013/2014 MTREF provide for a further net decrease in cash of R 11.1 million for the 2013/2014 financial year resulting in an overall projected positive cash position of R 6.6 million at year end.
5. As part of the 2012/2013 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalisation of spending priorities.
6. In addition the municipality undertook an extensive debt collection drive resulting in cash receipts on government arrear debtors.
7. The 2013/2014 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals project R 6.6 million as at the end of the 2013/2014 financial year and escalate to a projected R 7.5 million by 2015/2016.

**Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	16 977	4 932	(3 903)	17 744	17 744	17 744	6 615	6 506	7 506
Other current investments > 90 days	5 705	5 763	1 648	5 000	5 000	5 000	4 000	4 000	4 000
Non current assets - Investments	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>22 682</b>	<b>10 695</b>	<b>(2 255)</b>	<b>22 744</b>	<b>22 744</b>	<b>22 744</b>	<b>10 615</b>	<b>10 506</b>	<b>11 506</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	11 064	5 830	30 365	23 407	22 932	22 932	7 719	-	-
Other working capital requirements	(2 640)	9 316	(1 517)	1 657	21 225	21 225	55 715	87 221	90 122
Reserves to be backed by cash/investments	2 484	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>10 909</b>	<b>15 145</b>	<b>28 848</b>	<b>25 064</b>	<b>44 157</b>	<b>44 157</b>	<b>63 435</b>	<b>87 221</b>	<b>90 122</b>
<b>Surplus(shortfall)</b>	<b>11 773</b>	<b>(4 450)</b>	<b>(31 103)</b>	<b>(2 320)</b>	<b>(21 413)</b>	<b>(21 413)</b>	<b>(52 819)</b>	<b>(76 716)</b>	<b>(78 617)</b>

### **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves / accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2009/2010 to 2012/2013 the cash surplus of 1.8 million deteriorated to a cash deficit of R 21.4 million and further decreases for the MTREF to R 78.6 million in 2015/2016. The main reason R 1 for these "unfunded" projections was a lack of cash due to government not honouring their property rates service charges outstanding debt, unspent grants not being cash backed for previous financial years, as well as housing programme claims not paid out by provincial government.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the draft 2013/2014 MTREF was not funded owing to the deficits.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/2014 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

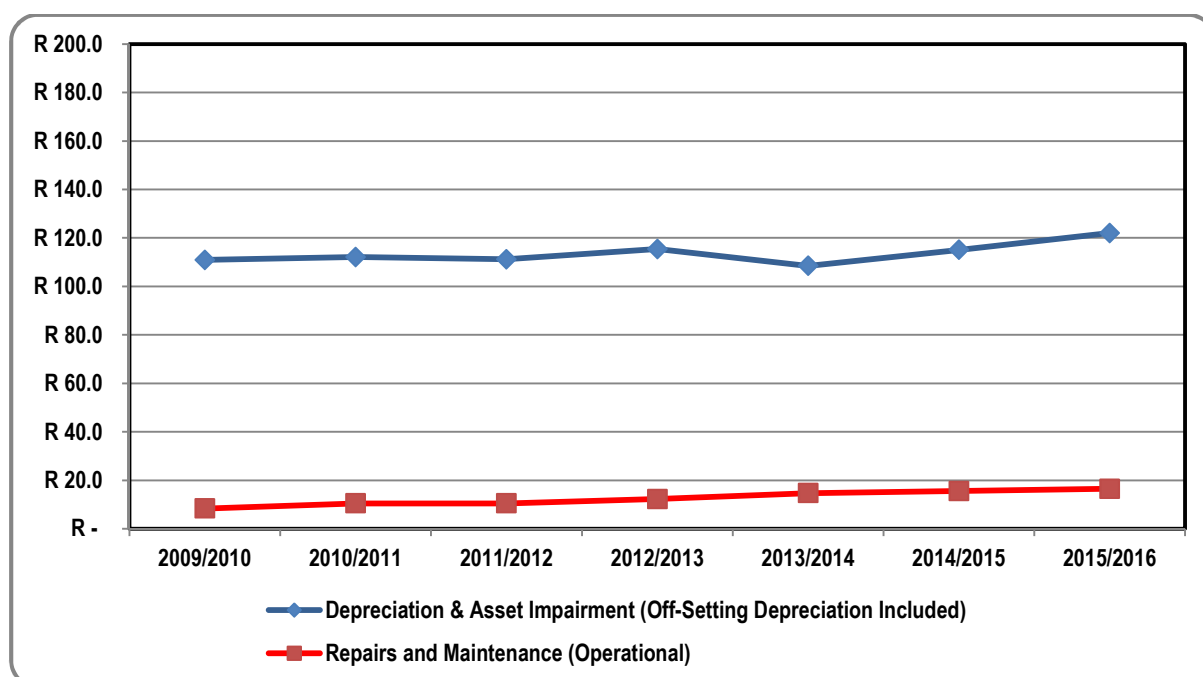
### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Table 23 MBRR Table A9 - Asset Management

Description / R thousand	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	28 179	33 313	37 773	76 248	127 621	127 621	61 556	56 475	39 755
Infrastructure - Road transport	1 249	6 607	3 887	15 392	29 110	29 110	14 271	3 952	-
Infrastructure - Electricity	4 980	11 359	5 024	23 026	37 334	37 334	15 050	14 414	2 259
Infrastructure - Water	4 723	3 110	5 508	20 840	20 678	20 678	11 220	13 200	500
Infrastructure - Sanitation	1 988	1 180	356	8 809	6 040	6 040	11 252	1 546	31 456
Infrastructure - Other	-	-	-	3 310	1 810	1 810	1 400	4 657	3 800
Infrastructure	12 941	22 257	14 774	71 378	94 972	94 972	53 193	37 770	38 075
Community	1 678	574	2 571	-	15 157	15 157	3 735	16 789	110
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	3 200	-	-	-	-	-	-	-
Other assets	13 560	7 234	19 857	4 870	17 052	17 052	4 627	1 916	1 630
Intangibles	-	48	571	-	440	440	-	-	-
<b>Total Renewal of Existing Assets</b>	-	-	4 938	4 780	16 904	16 904	4 225	1 800	5 500
Infrastructure - Road transport	-	-	4 352	2 500	13 291	13 291	-	-	2 600
Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	-	-	147	300	428	428	300	300	1 100
Infrastructure - Sanitation	-	-	115	-	671	671	-	-	300
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	4 614	2 800	14 391	14 391	300	300	4 000
Community	-	-	-	-	-	-	250	-	-
Other assets	-	-	324	1 980	2 513	2 513	3 675	-	-
Intangibles	-	-	-	-	-	-	-	1 500	1 500
<b>Total Capital Expenditure</b>									
Infrastructure - Road transport	1 249	6 607	8 239	17 892	42 401	42 401	14 271	3 952	2 600
Infrastructure - Electricity	4 980	11 359	5 024	23 026	37 334	37 334	15 050	14 414	2 259
Infrastructure - Water	4 723	3 110	5 654	21 140	21 106	21 106	11 520	13 500	1 600
Infrastructure - Sanitation	1 988	1 180	471	8 809	6 712	6 712	11 252	1 546	31 756
Infrastructure - Other	-	-	-	3 310	1 810	1 810	1 400	4 657	3 800
Infrastructure	12 941	22 257	19 388	74 178	109 363	109 363	53 493	38 070	42 015
Community	1 678	574	2 571	-	15 157	15 157	3 985	16 789	110
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	3 200	-	-	-	-	-	-	-
Other assets	13 560	7 234	20 181	6 850	19 565	19 565	8 302	1 916	1 630
Intangibles	-	48	571	-	440	440	-	1 500	1 500
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	28 179	33 313	42 710	81 028	144 525	144 525	65 781	58 275	45 255
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
Infrastructure - Road transport	857 963	816 954	777 531	828 835	803 531	803 531	769 649	722 559	671 054
Infrastructure - Electricity	346 783	339 470	327 143	380 189	378 595	378 595	376 002	371 715	354 150
Infrastructure - Water	470 809	453 694	443 665	486 978	472 083	472 083	468 078	465 122	449 278
Infrastructure - Sanitation	152 107	144 955	137 729	152 400	142 694	142 694	146 502	140 158	163 550
Infrastructure - Other	32 225	29 533	27 111	32 772	30 569	30 569	31 259	35 164	38 167
Infrastructure	1 859 887	1 784 607	1 713 179	1 881 174	1 827 472	1 827 472	1 791 490	1 734 717	1 676 198
Community	64 731	62 195	61 830	71 097	74 982	74 982	67 226	71 568	58 485
Heritage assets	4 273	4 273	4 273	4 273	4 273	4 273	4 273	4 273	4 273
Investment properties	179 157	182 357	182 357	182 357	182 357	182 357	182 357	182 357	182 357
Other assets	272 856	265 738	269 444	302 623	314 513	314 513	315 490	309 641	303 040
Intangibles	3 245	2 093	1 700	2 652	3 092	3 092	3 092	4 592	6 092
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	2 384 148	2 301 263	2 232 784	2 444 176	2 406 689	2 406 689	2 363 928	2 307 149	2 230 446
<b>EXPENDITURE OTHER ITEMS</b>									
Depreciation & asset impairment	110 941	112 108	111 190	14 428	115 412	115 412	108 542	115 054	121 958
Repairs and Maintenance by Asset Class	8 436	10 462	10 471	11 610	12 282	12 282	14 711	15 594	16 529
Infrastructure - Road transport	302	359	547	669	646	646	682	723	766
Infrastructure - Electricity	482	695	642	661	553	553	681	722	765
Infrastructure - Water	393	338	510	813	672	672	709	752	797
Infrastructure - Sanitation	40	81	69	215	171	171	612	648	687
Infrastructure - Other	1	20	35	48	36	36	35	37	39
Infrastructure	1 217	1 492	1 803	2 407	2 079	2 079	2 719	2 882	3 055
Community	289	403	428	484	435	435	538	570	604
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	6 929	8 567	8 240	8 719	9 768	9 768	11 454	12 142	12 870
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	119 376	122 571	121 661	26 038	127 694	127 694	123 253	130 648	138 487
<b>Renewal of Existing Assets as % of total capex</b>	0.0%	0.0%	11.6%	5.9%	11.7%	11.7%	6.4%	3.1%	12.2%
<b>Renewal of Existing Assets as % of deprecn"</b>	0.0%	0.0%	4.4%	33.1%	14.6%	14.6%	3.9%	1.6%	4.5%
<b>R&amp;M as a % of PPE</b>	0.4%	0.5%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.8%
<b>Renewal and R&amp;M as a % of PPE</b>	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality cannot meet these recommendations due to a lack of financial resources.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance of assets.



**Figure 4 Depreciation in relation to repairs and maintenance over the MTREF**

4. Depreciation and asset impairment costs (off-setting depreciation included) due to the implementation of the GRAP Accounting Standards on the carrying values of componentised assets makes it virtually unaffordable to maintain the municipality's assets at depreciated replacement cost.

#### **Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Household service targets</b>									
<b>Water:</b>									
Piped water inside dwelling	9 550	9 971	9 971	9 971	9 971	9 971	10 221	10 450	10 690
Piped water inside yard (but not in dwelling)	2 645	3 172	6 190	6 190	6 190	6 190	6 680	7 320	7 710
Using public tap (at least min.service level)	890	1 259	1 716	2 150	2 150	2 150	2 485	2 799	2 995
Other water supply (at least min.service level)	—	—	—	—	—	—	—	—	—
Minimum Service Level and Above sub-total	13 085	14 402	17 877	18 311	18 311	18 311	19 386	20 569	21 395
Using public tap (< min.service level)	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	249	249	249	—	—	—	—	—	—
No water supply	—	—	—	—	—	—	—	—	—
Below Minimum Service Level sub-total	249	249	249	—	—	—	—	—	—
Total number of households	13 334	14 651	18 126	18 311	18 311	18 311	19 386	20 569	21 395
<b>Sanitation/sewerage:</b>									
Flush toilet (connected to sewerage)	12 650	12 650	13 191	13 193	13 193	13 193	13 452	13 690	13 930
Flush toilet (with septic tank)	217	217	217	320	320	320	380	420	470
Chemical toilet	—	—	—	—	—	—	—	—	—
Pit toilet (ventilated)	151	151	151	151	272	272	151	151	151
Other toilet provisions (> min.service level)	1 320	1 320	1 441	1 730	1 730	1 730	2 140	2 450	2 680
Minimum Service Level and Above sub-total	14 338	14 338	15 000	15 394	15 515	15 515	16 123	16 711	17 231
Bucket toilet	1 688	1 688	1 688	2 890	5 990	5 990	3 350	3 570	3 570
Other toilet provisions (< min.service level)	—	—	—	—	—	—	—	—	—
No toilet provisions	366	366	366	366	562	562	345	315	295
Below Minimum Service Level sub-total	2 054	2 054	2 054	3 256	6 552	6 552	3 695	3 885	3 865
Total number of households	16 392	16 392	17 054	18 650	22 067	22 067	19 818	20 596	21 096
<b>Energy:</b>									
Electricity (at least min.service level)	2 120	1 988	1 886	1 866	1 886	1 886	1 860	1 840	1 830
Electricity - prepaid (min.service level)	16 381	16 685	17 181	18 220	18 220	18 220	19 070	19 920	20 240
Minimum Service Level and Above sub-total	18 501	18 673	19 067	20 086	20 106	20 106	20 930	21 760	22 070
Electricity (< min.service level)	—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)	—	—	—	—	—	—	—	—	—
Other energy sources	759	1 215	2 075	1 518	1 518	1 518	1 057	507	207
Below Minimum Service Level sub-total	759	1 215	2 075	1 518	1 518	1 518	1 057	507	207
Total number of households	19 260	19 888	21 142	21 604	21 624	21 624	21 987	22 267	22 277
<b>Refuse:</b>									
Removed at least once a week	18 500	18 500	18 880	13 800	13 800	13 900	15 000	17 500	18 500
Minimum Service Level and Above sub-total	18 500	18 500	18 880	13 800	13 800	13 900	15 000	17 500	18 500
Removed less frequently than once a week	—	—	—	5 100	5 100	5 100	5 500	6 000	7 550
Using communal refuse dump	—	—	—	—	—	—	—	—	—
Using own refuse dump	—	—	—	—	—	—	—	—	—
Other rubbish disposal	—	—	—	—	—	—	—	—	—
No rubbish disposal	—	—	—	—	—	—	—	—	—
Below Minimum Service Level sub-total	—	—	—	5 100	5 100	5 100	5 500	6 000	7 550
Total number of households	18 500	18 500	18 880	18 900	18 900	19 000	20 500	23 500	26 050
<b>Households receiving Free Basic Service</b>									
Water (10 kilolitres per household per month)	—	—	6 818	10 577	10 577	10 577	11 826	12 417	13 038
Sanitation (free minimum level service)	—	—	—	10 577	10 577	10 577	11 826	12 417	13 038
Electricity/other energy (50kwh per household per month)	—	—	—	6 645	6 645	6 645	6 645	6 977	7 326
Refuse (removed at least once a week)	—	—	—	10 577	10 577	10 577	11 826	12 417	13 038
<b>Cost of Free Basic Services provided (R'000)</b>									
Water (10 kilolitres per household per month)	—	—	—	—	—	—	—	—	—
Sanitation (free sanitation service)	—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per household per month)	—	—	—	—	—	—	—	—	—
Refuse (removed once a week)	—	—	—	—	—	—	—	—	—
Indigent Subsidy Totals	12 555	16 117	20 159	20 499	22 671	22 671	25 384	26 907	28 521
Total cost of FBS provided (minimum social package)	12 555	16 117	20 159	20 499	22 671	22 671	25 384	26 907	28 521
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Water (kilolitres per household per month)	10	10	10	10	10	10	10	10	10
Sanitation (Rand per household per month)	—	—	—	—	—	—	—	—	—
Sanitation (Rand per household per month)	—	—	—	164	164	164	175	187	201
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (R per household per month)	—	—	—	108	108	108	115	123	132
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R45 000 threshold rebate)	1 027	1 368	2 098	2 169	2 054	2 054	2 181	2 329	2 488
Property rates (other exemptions, reductions and rebates)	—	—	—	—	—	—	—	—	—
Water	—	—	—	—	—	—	—	—	—
Sanitation	—	—	—	—	—	—	—	—	—
Electricity/other energy	—	—	—	—	—	—	—	—	—
Refuse	—	—	—	—	—	—	—	—	—
Municipal Housing - rental rebates	—	—	—	—	—	—	—	—	—
Housing - top structure subsidies	—	—	—	—	—	—	—	—	—
Indigent Subsidy Totals	12 555	16 117	20 159	20 499	22 671	22 671	25 384	26 907	28 521
Other	—	—	—	—	—	—	—	—	—
Total revenue cost of free services provided (total social package)	13 582	17 484	22 257	22 668	24 725	24 725	27 565	29 236	31 010

2. The City continues to make good progress with the eradication of backlogs:

- a. The minimum level of water services is available to all households – formal as well as informal areas.
  - b. Sanitation services backlogs steadily increases to the projected 3,865 households in 2015/2016 who receive a service below the minimum service level. These numbers will only reduce when the municipality receives funds from the housing programme for basic service infrastructure. Provincial government is slow in approving funds through the housing programme to build houses with toilets and sewerage networks.
  - c. Electricity services backlogs will be reduced to an estimated 207 households by 2015/2016. Although the MTREF indicates the electrification of 1 704 houses together with electricity infrastructure through INEP grants and external loans, the growing need of more housing makes this an on-going exercise.
  - d. The minimum level of refuse removal services is available to all households – formal as well as informal areas.
3. The budget provides for 11 826 households to be registered as indigent in 2013/2014, and therefore entitled to receiving Free Basic Services. The number is expected to increase over the two outer years.
4. It is anticipated that these Free Basic Services will cost the municipality R 27.6 million in 2013/2014, increasing to R 31.0 million in 2015/2016. This is covered by the municipality's equitable share allocation from national government.
5. Included in the Free Basic Services, the municipality also 'gives' households R 2.2 million in free services in 2013/2014, and it increases to R 2.5 million in 2015/2016. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 6.0% of total operating revenue.